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Page 1 of * 65		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 015 Amendment No. (req. for Amendments *)	
Filing by Options Clearing Corporation					
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input checked="" type="checkbox"/>		Amendment * <input type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Section 19(b)(2) * <input type="checkbox"/>		Section 19(b)(3)(A) * <input checked="" type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input checked="" type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Section 806(e)(2) * <input type="checkbox"/>		
			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Proposed Rule Change by The Options Clearing Corporation concerning amendments to its Risk Management Framework, Third-Party Risk Management Framework, and Default Management Policy.</div>					
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action. First Name * <div></div> Last Name * <div></div> Title * <div></div> E-mail * <div>rulefilings@theocc.com</div> Telephone * <div></div> Fax <div></div>					
Signature Pursuant to the requirements of the Securities Exchange of 1934, Options Clearing Corporation has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. Date <div>09/19/2025</div> By <div></div> <div>(Name *)</div> <div></div> <div>(Title *)</div> <div></div> <div>NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.</div> <div><div></div><div>Digitally signed by <div></div> Date: 2025.09.19 08:28:34 -05'00'</div></div>					

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SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549		
For complete Form 19b-4 instructions please refer to the EFFS website.		
<div>Form 19b-4 Information *</div> <div><div>AddRemoveView</div><div>SR-OCC-2025-015_19b-4 (Annual Up</div></div>	<p>The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.</p>	
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>AddRemoveView</div><div>SR-OCC-2025-015_Exhibit 1A (Annua</div></div>	<p>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</p>	
<div>Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *</div> <div><div>AddRemoveView</div></div>	<p>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)</p>	
<div>Exhibit 2- Notices, Written Comments, Transcripts, Other Communications</div> <div><div>AddRemoveView</div></div>	<p>Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.</p> <div><input type="checkbox"/> Exhibit Sent As Paper Document</div>	
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>AddRemoveView</div></div>	<p>Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.</p> <div><input type="checkbox"/> Exhibit Sent As Paper Document</div>	
<div>Exhibit 4 - Marked Copies</div> <div><div>AddRemoveView</div></div>	<p>The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.</p>	
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>AddRemoveView</div><div>SR-OCC-2025-015_Exhibit 5A - RMF SR-OCC-2025-015_EXHIBIT 5B - TPF SR-OCC-2025-015_Exhibit 5C REDAC</div></div>	<p>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change</p>	
<div>Partial Amendment</div> <div><div>AddRemoveView</div></div>	<p>If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.</p>	

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 19b-4

Proposed Rule Change
by

THE OPTIONS CLEARING CORPORATION

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

Item 1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² The Options Clearing Corporation (“OCC”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend its Risk Management Framework (“RMF”), Third-Party Risk Management Framework (“TPRMF”), and Default Management Policy (“DMP”), (collectively, the “OCC Policies”). The proposed changes were identified during OCC’s annual review process and are designed to update the OCC Policies to better align the descriptions therein with OCC’s current practices and make other non-substantive, clarifying, conforming, and administrative changes.

The proposed changes to the OCC Policies are contained in Exhibit 5A, Exhibit 5B and confidential Exhibit 5C to File No. SR-OCC-2025-015. Material proposed to be added is marked by underlining and material proposed to be deleted is marked with strikethrough text in the exhibits to File No. SR-OCC-2025-015. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.³

Item 2. Procedures of the Self-Regulatory Organization

The proposed change was approved for filing with the Commission by OCC’s Board of Directors (“Board”) on February 28, 2025 and September 18, 2025.

Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ OCC’s By-Laws and Rules can be found on OCC’s public website: <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

OCC is the sole clearing agency registered with the Commission for standardized equity options listed on national securities exchanges. OCC also clears and settles certain stock loan transactions and transactions in futures and options on futures. In connection with its clearance and settlement of transactions in securities, OCC is a “covered clearing agency”⁴ regulated by the Commission. OCC also guarantees the performance of its Clearing Members for all transactions cleared by OCC by becoming the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). In its role as a covered clearing agency, OCC is exposed to various risks that may potentially impact its clearing and settlement services. To address these risks, OCC maintains policies, procedures or systems that are designed to manage risks, and which are subject to periodic review and annual approval by the Board, including the RMF, TPRMF, and DMP.

The RMF describes, in part, how OCC manages risk while providing efficient and effective clearing and settlement services. The RMF addresses OCC’s ability to employ recovery tools and facilitate an orderly wind-down. Additionally, the RMF describes OCC’s three lines of defense model, which assigns ownership and accountability and enhances communication for expectations around risk management at OCC. The TPRMF describes OCC’s approach to the management of risks associated with third parties. Specifically, the TPRMF outlines a framework for OCC to identify, measure, monitor, and manage risks arising from third-party relationships including relationships with Clearing Members, clearing banks, custodians, liquidity providers, investment counterparties, financial market utilities, exchanges, and vendors. Lastly, the DMP summarizes the steps OCC may take in the event of a Clearing Member

⁴ The term “covered clearing agency” is defined in Exchange Act Rule 17ad-22(a) to mean “a registered clearing agency that provides the services of a central counterparty or central securities depository.” 17 CFR 240.17ad-22(a).

suspension, settlement bank failure, or the failure of a financial market utility with which OCC has a relationship to perform.

Consistent with regulatory obligations,⁵ OCC and its Board review the OCC Policies at least annually. Through the annual review process, OCC has identified proposed changes to the OCC Policies that, at a high level, are intended to better align the descriptions in the OCC Policies with OCC's current practices and make other non-substantive, clarifying, conforming and administrative changes. These proposed changes identified during OCC's annual review process are not expected to have any impact on OCC's Clearing Members or other market participants.

A. Purpose

The purpose of this proposed rule change is to modify the OCC Policies to better reflect current practices at OCC and make other non-substantive, clarifying and administrative changes to the text of these policies.

1. Proposed Changes to OCC's RMF

OCC proposes to update the *OCC Risk Universe* section, which outlines the risk categories that may potentially impact OCC's clearing and settlement services. OCC's existing RMF states that OCC plans for the possibility that events will occur and affect the delivery of its critical services. To align with SEC Rule 17ad-25(i),⁶ which concerns the governance of service providers for core services, OCC proposes to replace the term "critical" services with "core" services. Therefore, OCC's proposed changes would provide that OCC plans for the possibility

⁵ See 17 CFR 240.17ad-22(e)(3)(i) (requiring, among other things, that a covered clearing agency subject its risk management policies, procedures and systems to review on a specified periodic basis and approval by the board of directors annually).

⁶ 17 CFR 240.17ad-25(i).

that events will occur and affect the delivery of its core services. OCC believes this proposed change will improve clarity and consistency with SEC Rule 17ad-25(i).⁷

The Legal and Regulatory Risk category under the *OCC Risk Universe* section describes the risk of loss that results from a lack of awareness, misunderstanding or unexpected application of the laws and regulations that apply to OCC's business, products, services, and relationships or from a failure to comply with contractual obligations. OCC's proposed changes would update this description to provide that Legal and Regulatory Risk is the risk of loss that results from acts or omissions by OCC that cause a failure to comply with the laws, regulations, or other legal obligations applicable to OCC's business, products, services, and relationships. OCC believes this proposed change better reflects how OCC categorizes Legal and Regulatory Risk. The purpose of this proposed change is to articulate a more accurate and robust definition of OCC's Legal and Regulatory Risk. Furthermore, the proposed change is intended to express, in a more straightforward manner for ease of use and readability, what OCC believes its Legal and Regulatory Risk are to be.

OCC proposes to revise the *Governance* section, which outlines OCC's governance model related to the management of risks for OCC's Board and Board Committees, Management Committee, working groups, and employees. Under the *Management Committee and Working Groups* subsection, OCC's proposed changes would add a provision that provides that the Chief Compliance Officer and Chief Audit Executive are members of the Management Committee and report to the Audit Committee of the Board ("Audit Committee"). This proposed change is designed to conform the RMF to OCC's existing governance structure.⁸

⁷ Id.

⁸ See OCC's Board Audit Committee Charter (stating that the "Chief Audit Executive shall report functionally to the [Audit] Committee and administratively to a member of the Management Committee designated by the [Audit] Committee" and that the "Chief Compliance Officer shall report functionally to

OCC proposes to update the *OCC Risk Management* section, which outlines its three lines of defense model. OCC's three lines of defense model is currently comprised of: (i) the first line of defense, including but not limited to, OCC's Financial Risk Management ("FRM"), Business Operations, Information Technology, and corporate functions such as Human Resources, Corporate Finance and Enterprise Project Management; (ii) the second line of defense, including but not limited to, OCC's Compliance, Corporate Risk Management, Security and Business Continuity functions; and (iii) the third line of defense, which consists of OCC's Internal Audit function. OCC's existing RMF provides that the first line of defense maintains policies, procedures, processes, and controls established for day-to-day risk management. To align more closely with OCC's existing practices, OCC proposes to include the term "systems" in the referenced list to clarify that the first line of defense also maintains certain systems for day-to-day risk management. In addition, OCC's proposed changes would update the title of a referenced policy to reflect accurate and up-to-date information. Specifically, OCC's proposed changes would remove the term "Employee" in the reference to "OCC Employee Code of Conduct" to reflect the current title of the policy, which is the "OCC Code of Conduct."

Under the *First Line of Defense* subsection, OCC proposes to relocate the *Margin* category to earlier in the description of clearing and settlement services outlined in the RMF. Specifically, OCC's proposed changes would relocate the Margin category from section (d) to section (c). The purpose of this proposed change is to align more closely with OCC's existing order of operations used to execute risk management related to the clearing and settlement services described in the RMF. OCC's proposed changes would also relocate the *Default*

the [Audit] Committee and administratively to a member of the Management Committee designated by the [Audit] Committee), available at https://www.theocc.com/getmedia/0a3ccbce-4481-42c5-86b1-8f44b50c0727/audit_committee_charter.pdf.

Management category from the *First Line of Defense* subsection into the *Second Line of Defense* subsection. The purpose of this proposed change is to reflect that ownership of *Default Management* will move from OCC's Financial Risk Management ("FRM") business unit to OCC's Corporate Risk Management ("CRM") function. OCC believes that *Default Management* is not exclusively a FRM activity, rather, it touches many areas across OCC. Therefore, OCC believes it is more appropriate for ownership of *Default Management* to reside with OCC's CRM function, which will coordinate default management activities across OCC in the event OCC ever has to implement the procedures outlined in the DMP. Because OCC's CRM function exists in OCC's second line of defense, OCC's proposed changes relocate the *Default Management* category from the *First Line of Defense* subsection to the *Second Line of Defense* subsection.

Under the *General Business* category within the *First Line of Defense* subsection, OCC's proposed changes would update the reference of "critical" services to "core" services to align with SEC Rule 17ad-25(i).⁹ More specifically, OCC's proposed changes would provide, in part, that Information Technology reviews OCC's ability to maintain its "core" services under a range of scenarios, including adverse market conditions.

OCC's proposed changes would update the *Legal* category within the *First Line of Defense* subsection to more accurately reflect how OCC manages its legal risk. OCC's existing RMF provides, in part, that to manage legal risk across OCC, employees are required to consult with Legal on legal and regulatory matters. OCC's proposed revisions would update this provision to remove the reference "legal and regulatory matters" and revise the provision to state that in order to manage legal risk across OCC, "Legal provides counsel to OCC on laws, regulations, [and] other legal obligations applicable to OCC." OCC's proposed changes would

⁹ See supra, note 6.

also make conforming changes to this sentence by removing the phrase “including but not limited to.” The existing RMF outlines specific matters in which employees are required to consult Legal. OCC’s proposed changes would revise this information to more accurately reflect OCC’s current business practices. OCC’s current RMF provides that employees are required to consult with Legal on interpretation of laws and regulations applicable to OCC. OCC’s proposed changes would revise this sentence to add the provision “matters that may involve application of or” interpretation of laws and regulations. OCC’s proposed changes would remove the reference “applicable to OCC.” For the next matter described in which employees are required to consult Legal, OCC’s proposed changes would add the clarifying language “actual or potential” before the phrase “legal claims against OCC.” OCC’s proposed changes would also include two new provisions, the “identification and protection of OCC intellectual property” and the “recommended contractual protections for OCC business activities” as matters in which employees must consult Legal. Furthermore, OCC’s proposed changes would add clarifying language to update the phrase “contractual obligations of third parties to OCC” to “interpretation of contractual obligations between third parties and OCC.”

OCC proposes general revisions throughout the RMF, including formatting and grammatical changes, such as capitalizing defined terms, deleting unnecessary or redundant language and updating section numbering.

2. Proposed Changes to OCC’s TPRMF

OCC’s proposed changes to the TPRMF would update the definition of Third-Party as it relates to OCC’s relationship with liquidity providers. Under the *Definitions* section, Third-Party is defined as a Clearing Member, clearing bank, custodian, liquidity provider, investment counterparty, financial market utility, Exchange, or vendor, which also has: (1) a relationship

with OCC where products and/or services are exchanged; (ii) other ongoing business relationships with OCC; or (iii) responsibility for OCC associated records. OCC's proposed changes would update the reference from "liquidity provider" to "liquidity provider under OCC's committed facilities." OCC believes the addition of the language "under OCC's committed facilities" would help limit ambiguity as to what OCC constitutes a "liquidity provider" for this purpose. To promote consistency throughout the TPRMF, OCC's proposed changes would add "under OCC's committed facilities" where "liquidity provider" is mentioned in the *Executive Summary* section and in subsection B of the *Third-Party Relationship Management* section. Specifically, the *Executive Summary* section outlines OCC's approach to identify, measure, monitor, and manage risk arising from Third-Party relationships, including relationships with Clearing Members, clearing banks, custodians, liquidity providers, investment counterparties, financial market utilities, exchange relationships and vendors. OCC's proposed changes update the reference from "liquidity providers" to "liquidity providers under OCC's committed facilities" to align with the proposed changes described above. In addition, OCC's proposed changes would revise subsection B of the *Third-Party Relationship Management* section to include the terminology "under OCC's committed facilities" when referencing liquidity providers. OCC's TPRMF currently provides that OCC maintains relationships with Financial Institutions that facilitate clearance and settlement activities, manage collateral, provide liquidity, and serve as investment counterparties. OCC's proposed changes would add the phrase "under OCC's committed facilities" to align with the proposed changes described above.

OCC's proposed changes to the TPRMF would also remove an outdated reference to Article V of OCC's By-Laws, which is currently "reserved," and replace it with reference to existing provisions throughout the OCC Rules. OCC recently reorganized such provisions in a

prior rule filing.¹⁰ Specifically, OCC’s proposed changes would replace the reference “Article V, Section 2 of OCC’s By-Laws” with “OCC Rule 203(a),” as outlined in subsection A of the *Third-Party Relationship Management* section.

3. Proposed Changes to OCC’s DMP

OCC’s proposed changes to the DMP update the *Purpose* section to streamline language and remove reference to unnecessary detail. The *Purpose* section of the DMP provides, in part, that the DMP outlines the steps that OCC may take in the event of Clearing Member suspension, settlement bank failure, or the failure of a financial market utility (“FMU”) to perform. The DMP provides examples of FMUs, including DTC, NSCC or CME. OCC’s proposed changes eliminate the specific reference to DTC, NSCC, and CME. OCC believes these specific details regarding FMUs are better suited to OCC’s policies and procedures specific to FMUs.¹¹

OCC’s proposed changes also update footnote one in the *Purpose* section related to Clearing Member default and Clearing Member suspension. OCC’s proposed changes streamline the descriptions in footnote one to more closely align with OCC’s Rules and By-Laws. The current language in footnote one states that in accordance with the By-Laws and Rules, OCC may liquidate the Clearing Member’s margin and Clearing Fund contribution and may take any other applicable actions as set for in the By-Laws and Rules. However, liquidating the Clearing Member’s margin and Clearing Fund contribution is not the only action that OCC can take in the event of a Clearing Member default or Clearing Member suspension. OCC’s proposed changes would instead clarify that in either situation, OCC may take any applicable actions as set forth in

¹⁰ See Order Granting Approval of Proposed Rule Change by the Options Clearing Corporation Concerning the Amendment of its Clearing Membership Standards, Exchange Act Release No. 97439 (May 5, 2023), 88 FR 30373 (May 11, 2023) (SR-OCC-2023-002) (“Clearing Membership Standards”).

¹¹ For example, OCC’s Linked FMU Disruption Procedure addresses risk to OCC arising from a disruption to the functioning of a linked FMU, including specific details related to the disruption of DTC, NSCC and CME.

the By-Laws and Rules that it deems necessary for the protection of the Corporation, other Clearing Members, or the general public. OCC believes this description more closely aligns with OCC's Rules and By-Laws. Conforming changes are also proposed in footnote one to streamline language and eliminate unnecessary terms.

In the *Applicability and Scope* section, OCC proposes to remove duplicative information related to the list of high-level activities that may occur in the event of a Clearing Member default, settlement bank failure, or failure of an FMU to perform. Each high-level activity referenced is its own subsection header throughout the document. OCC believes it is unnecessary and duplicative to maintain such information in multiple places, so OCC proposes to eliminate the list.

OCC proposes amendments to the *Continued Performance of Settlement Obligations* section. OCC proposes to specify that the abbreviation for "FRM" is "Financial Risk Management." The current language in this section provides, in part, that FRM prepares for the Management Committee and/or its delegates an exposure summary report that contains certain information regarding a suspended Clearing Member. OCC proposes to delete the outdated reference that the exposure summary report is prepared "for Management Committee and/or its delegates" because such report is currently prepared for and distributed to OCC's Default Management group and the Office of the Chief Executive Officer, in accordance with OCC's existing Default Management Procedure. The current language in this section also provides, in part, that FRM must recommend to the Management Committee and/or its delegates whether it believes OCC needs to draw on OCC's available liquidity resources to satisfy the settlement obligations of the suspended Clearing Member. For the same reason described above, OCC also proposes to delete the outdated reference "for Management Committee and/or its delegates."

In the *Extension of Settlements* section, OCC’s proposed changes clarify OCC’s settlement obligation to non-defaulting Clearing Members. The current language in this section provides that OCC’s settlement obligation is to fund credits (i.e., payment obligations owed by OCC to its Clearing Members) by 1:00 PM CT. OCC proposes to specify that the payment obligation is owed by OCC to its “non-defaulting” Clearing Members. OCC also proposes to update language within this section to align more closely with existing Rule 505¹² as it relates to reporting the determination to extend settlement. Specifically, the existing language in the DMP provides, in part, that such determination [to extend settlement] and the reasons thereof will be promptly reported to the SEC and the CFTC by the General Counsel or delegate in Legal. In addition to the SEC and CFTC, OCC proposes to include that the determination will be reported to “any other regulatory or supervisory agencies having jurisdiction over OCC.” The purpose of this proposed change is to accurately reflect and conform to existing Rule 505.¹³

OCC proposes a clarifying change in the *Sources and Uses of Financial Resources* (“*Waterfall*”) section, which outlines the resources that OCC can utilize to meet financial resource obligations as a result of Clearing Member suspension. Under item six, “Clearing Fund assessments,” OCC proposes to specify the reference to a “non-defaulting” Clearing Member. Currently under “Clearing Fund assessments,” the language states that each Clearing Member may be assessed additional amounts, subject to a cap. For clarity and consistency throughout the document, OCC’s proposed changes provide that the Clearing Member that may be assessed additional amounts is a “non-defaulting” Clearing Member. OCC also proposes to update the

¹² See supra, note 3 at Rule 505.

¹³ Id.

Sources and Uses of Financial Resources (“*Waterfall*”) section to specify that the abbreviation for “EDCP” is “Executive Deferred Compensation Plan.”

OCC proposes additional revisions in the *Close-Out of Positions* section. The current footnote eight in the DMP provides that in the event the CFRO is unavailable, the Close-out Action plan can be presented to the CRO for approval. To align with the provision in footnote eight, OCC proposes to clarify that the CRO, in addition to the CFRO, may also determine the manner in which positions and collateral will be closed out. In addition, OCC proposes to update the name of the referenced OCC department from the “Market Risk and Default Management Department (“MRDM”)” to the “Market Risk Department” to reflect the current title of the department. Therefore, OCC’s proposed revisions would provide that the CFRO “or CRO” may determine, based upon the recommendations of the “Market Risk Department (“Market Risk”)” but subject to the rules concerning reporting requirements, to take any one or any combination of actions in closing out the option position of a suspended Clearing Member. OCC’s proposed changes update the reference from “MRDM” to “Market Risk” throughout the remainder of the DMP. Further, under the “Market Transactions” bullet point, OCC proposes minor clarifying changes to update the referenced term from “Liquidation Agent” to “liquidation agent(s)” because this is not a defined term by OCC and therefore does not need to be capitalized. Under the “Private Portfolio Auction” bullet point, OCC proposes to eliminate the provision that states “Certain non-defaulting members may be required to participate in auctions for OTC or other products as required under Rule 1106(e)(2),” because OCC does not intend to offer OTC options going forward.¹⁴ In the last paragraph under the *Close-Out Positions* section, OCC proposes

¹⁴ See Securities Exchange Act Release No. 101621 (Nov. 14, 2024), 89 FR 91825 (Nov. 20, 2024) (File No. SR-OCC-2024-013) (approving changes including OCC’s proposal to “delete rule provisions related to [OTC] option products.”)

conforming changes to align with the concept in footnote eight related to the ability for the CRO to approve the Close-Out Action Plan (“CAP”). The current language in the last paragraph of the *Close-Out Positions* section provides that upon approval of the CAP by the CFRO, FRM and other designated business officers/departments must be responsible for its execution. OCC proposes to delete the phrase “by the CFRO” because the CRO, in the event the CFRO is unavailable, also can approve the CAP, as stated in footnote eight of the DMP.

OCC proposes additional minor and clarifying revisions to the *Demand and Transfer of Collateral* section. The current text in this section states that all pledged valued margin collateral shall be moved by the Collateral Services Department into an OCC account and may be transferred to an auction recipient, delivered to a liquidating agent or delivered to a liquidating settlement account. OCC proposes to clarify the valued margin collateral is valued “securities” margin collateral. OCC also proposes to clarify that the valued securities margin collateral moved by the Collateral Services Department into an OCC account is into an OCC account “at DTC.” This proposed change is intended to articulate OCC’s existing practice; it does not introduce a new concept. Lastly, OCC’s proposed changes would replace “liquidating agent” with “liquidation agent” to promote consistency across the referenced terms in the document.

Under the *Clearing Fund Replenishment* section, OCC’s proposed changes provide additional details on the authority to approve a proportionate charge against the Clearing Fund. Specifically, the existing language provides, in part, that during or upon the completion of the close-out of open obligations, the Chairman, CEO or COO must determine whether a proportionate charge needs to be made against the Clearing Fund in connection with the liquidation. OCC proposes to eliminate the phrase “shall determine whether” and replace that with “has the authority to approve.” OCC’s proposed changes also include specific details that

the Chairman, CEO, or COO has the authority to approve a proportionate charge against the Clearing Fund “upon recommendation from the CFRO or CRO.” The requirement of receiving a recommendation from the CFRO or CRO is not a new concept, rather, it is included as a proposed change to memorialize the information in writing to promote clarity for use of the DMP. To streamline the language provided, OCC also proposes to eliminate the phrase “in connection with the liquidation” at the end of the referenced sentence. Finally, OCC proposes to add clarifying language by including the terms “financial resource” before the term “shortfall” in the last paragraph of this section. OCC believes this additional detail will help to clarify the type of shortfall and eliminate ambiguity.

Within the *Recovery Tools* section, OCC proposes to more clearly describe voluntary and mandatory tear-ups. OCC proposes to revise the description from “voluntary and mandatory tear-ups” to “voluntary and mandatory tear-ups of open positions.” OCC believes this additional detail clarifies exactly what is being torn up in the event OCC deploys this recovery tool.

OCC also proposes amendments to the *Testing and Review* section. The current language in this section provides that the Default & Recovery Working Group (“Working Group”) assists the Management Committee by overseeing OCC’s default management program. OCC proposes to include additional detail to this provision by adding that the Default & Recovery Working Group oversees the default management “and recovery” program. The Default & Recovery Working Group was recently renamed to reflect the combination of two separate working groups: the Recovery and Wind-Down Working Group and the Default Management Working Group. To memorialize the responsibilities from both working groups in the combined Working Group, OCC proposes to include the additional information that the Working Group oversees the default management “and recovery” program. Furthermore, OCC’s proposed changes to the

Testing and Review section update existing language to eliminate redundancy. The current language provides, in part, that on at least an annual basis, the Working Group must establish and present to the Management Committee for information and consent an annual default testing plan. OCC believes the term “information” is redundant in nature, and therefore OCC proposes to eliminate the reference. Lastly, OCC proposes to revise a reference in this section from an “Information and Consent” memorandum to a “Consent” memorandum to reflect the current practices at OCC. OCC no longer utilizes an “Information and Consent” memo format and as such, OCC proposes to delete reference to it.

OCC also proposes general revisions throughout the DMP, including formatting and grammatical changes, such as updating the section header of the document to align with current format, capitalizing the term “Clearing Member,” and deleting unnecessary or redundant language.

B. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Exchange Act¹⁵ and Rules 17ad-22(e)(1) through (3)¹⁶ thereunder. Section 17A(b)(3)(F) of the Act¹⁷ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. OCC’s proposed changes update the OCC Policies to more closely align with current business practices at OCC. The proposed changes also provide additional detail and clarifying information in the OCC Policies to enhance accuracy, clarity, and

¹⁵ 15 U.S.C. 78q-1.

¹⁶ 17 CFR 240.17ad-22(e)(1)-(3).

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

consistency in the documents. OCC believes that updating the OCC Policies to align with existing practice and enhancing the clarity of the descriptions in the OCC Policies, which are central to OCC's clearance and settlement activities, would promote the accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. For these reasons, OCC believes its proposed changes align with Section 17A(b)(3)(F) of the Act.

Rule 17ad-22(e)(1)¹⁸ requires, in part, that OCC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of OCC's activities in all relevant jurisdictions.¹⁹ OCC's proposed changes update the OCC Policies to make non-substantive, clarifying, conforming and administrative changes, including revisions to (i) remove duplicative information, (ii) add relevant detail, and (iii) update references to align with relevant descriptions. OCC believes these proposed changes will improve clarity and transparency in the OCC Policies and provide for an enforceable legal basis, in accordance with Rule 17ad-22(e)(1).²⁰

Rule 17ad-22(e)(2)²¹ provides, in part, that OCC must establish, implement and maintain policies and procedures for governance arrangements that specify clear and direct lines of responsibility. OCC's proposed changes update the OCC Policies to better align with OCC's current business practices, including updates to descriptions of processes and governance requirements. OCC's proposed changes also clarify the responsibilities of OCC departments. More specifically, OCC's proposed changes in DMP clarify the responsibility of the CRO as it

¹⁸ 17 CFR 240.17ad-22(e)(1).

¹⁹ Id.

²⁰ See supra, note 18.

²¹ 17 CFR 240.17ad-22(e)(2).

relates to the close-out of open positions of a suspended Clearing Member. OCC believes these proposed changes would promote clarity in OCC's governance arrangement and specify clear and direct lines of responsibility. Accordingly, OCC believes its proposed changes are consistent with Rule 17ad-22(e)(2).²²

Lastly, Rule 17ad-22(e)(3) requires, in part, that OCC maintain a risk management framework that includes policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by OCC, that are subject to review on a specified periodic basis and approved by the board of directors annually.²³ OCC's proposed revisions in this rule filing incorporate changes to the OCC Policies that were identified during OCC's annual review process and approved by the Board. Therefore, OCC believes the proposed rule changes would support its obligation to maintain a sound risk management framework that is subject to periodic review and annual approval by the Board, in accordance with Rule 17ad-22(e)(3)(i).²⁴

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act²⁵ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed rule changes would have any impact or burden on competition. The purpose of OCC's proposed rule change is to amend the OCC Policies to better reflect current practices at OCC and make other non-substantive, clarifying and administrative changes to the text of these policies. More specifically, OCC's proposed changes also (i) update

²² Id.

²³ 17 CFR 240.17ad-22(e)(3)(i).

²⁴ Id.

²⁵ 15 U.S.C. 78q-1(b)(3)(I).

terminology in the OCC Policies to align with recently adopted Rules,²⁶ (ii) remove outdated references to OCC's By-Laws, (iii) update outdated titles of referenced OCC departments when applicable, (iv) provide contextual revisions for precision, and (v) promote more robust descriptions within the OCC Policies. The proposed amendments to the OCC Policies would have no impact on Clearing Members or other market participants. Accordingly, OCC believes that the proposed rule changes would be consistent with the requirements of the Act applicable to clearing agencies and would not impact or impose a burden on competition.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed change and none have been received.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Pursuant to Section 19(b)(3)(A)(i)²⁷ of the Exchange Act, and Rule 19b-4(f)(1),²⁸ the proposed rule change is filed for immediate effectiveness. Rule 19b-4(f)(1) provides that proposed rule changes may take effect upon filing if the change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.²⁹ OCC believes the proposed rule change qualifies for immediate effectiveness pursuant to the Rule 19b-4(f)(1) because the proposed rule change amends the OCC Policies, which are filed with the

²⁶ See supra, note 6.

²⁷ 15 U.S.C. 78s(b)(3)(A)(i).

²⁸ 17 CFR 240.19b-4(f)(1).

²⁹ Id.

Commission, to better reflect current practices and make other non-substantive, clarifying and administrative changes to the text of those policies. Therefore, the proposed rule change concerns the administration of existing rules and would qualify for immediate effectiveness under Rule 19b-4(f)(1).

At any time within sixty (60) days of the filing of the proposed rule change, the SEC summarily may temporarily suspend such rule change if it appears to the SEC that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act. Notwithstanding its immediate effectiveness, implementation of the rule changes will be delayed until they are deemed certified under Commodity Futures Trading Commission Regulation § 40.6.³⁰

Item 8. Advance Notice Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Exchange Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1A. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5A – RMF

Exhibit 5B – TPRMF

³⁰ 17 CFR 40.6.

Exhibit 5C – Confidential DMP [REDACTED]

Exhibit 5C is omitted and filed separately with the Commission in connection with a request for confidential treatment pursuant to 17 CFR 240.24b-2.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[_____]); File No. SR-OCC-2025-015)

September __, 2025

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Options Clearing Corporation Concerning amendments to its Risk Management Framework (“RMF”), Third-Party Risk Management Framework (“TPRMF”), and Default Management Policy (“DMP”), (collectively, the “OCC Policies”).

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 19, 2025, The Options Clearing Corporation (“OCC” or “Corporation”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)³ of the Act and paragraph (f) or Rule 19b-4⁴ thereunder, such that the proposed rule change was immediately effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f).

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed changes were identified during OCC's annual review process and are designed to update the OCC Policies to better align the descriptions therein with OCC's current practices and make other non-substantive, clarifying, conforming, and administrative changes.

The proposed changes to the OCC Policies are contained in Exhibit 5A, Exhibit 5B and confidential Exhibit 5C to File No. SR-OCC-2025-015. Material proposed to be added is marked by underlining and material proposed to be deleted is marked with strikethrough text in the exhibits to File No. SR-OCC-2025-015. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.⁵

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

⁵ OCC's By-Laws and Rules can be found on OCC's public website:
<https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

OCC is the sole clearing agency registered with the Commission for standardized equity options listed on national securities exchanges. OCC also clears and settles certain stock loan transactions and transactions in futures and options on futures. In connection with its clearance and settlement of transactions in securities, OCC is a “covered clearing agency”⁶ regulated by the Commission. OCC also guarantees the performance of its Clearing Members for all transactions cleared by OCC by becoming the buyer to every seller and the seller to every buyer (or the lender to every borrower and the borrower to every lender, in the case of stock loan transactions). In its role as a covered clearing agency, OCC is exposed to various risks that may potentially impact its clearing and settlement services. To address these risks, OCC maintains policies, procedures or systems that are designed to manage risks, and which are subject to periodic review and annual approval by the Board, including the RMF, TPRMF, and DMP.

The RMF describes, in part, how OCC manages risk while providing efficient and effective clearing and settlement services. The RMF addresses OCC's ability to employ recovery tools and facilitate an orderly wind-down. Additionally, the RMF describes OCC's three lines of defense model, which assigns ownership and accountability and enhances communication for expectations around risk management at OCC. The TPRMF describes OCC's approach to the management of risks associated with third parties. Specifically, the TPRMF outlines a framework for OCC to identify, measure, monitor,

⁶ The term “covered clearing agency” is defined in Exchange Act Rule 17ad-22(a) to mean “a registered clearing agency that provides the services of a central counterparty or central securities depository.” 17 CFR 240.17ad-22(a).

and manage risks arising from third-party relationships including relationships with Clearing Members, clearing banks, custodians, liquidity providers, investment counterparties, financial market utilities, exchanges, and vendors. Lastly, the DMP summarizes the steps OCC may take in the event of a Clearing Member suspension, settlement bank failure, or the failure of a financial market utility with which OCC has a relationship to perform.

Consistent with regulatory obligations,⁷ OCC and its Board review the OCC Policies at least annually. Through the annual review process, OCC has identified proposed changes to the OCC Policies that, at a high level, are intended to better align the descriptions in the OCC Policies with OCC's current practices and make other non-substantive, clarifying, conforming and administrative changes. These proposed changes identified during OCC's annual review process are not expected to have any impact on OCC's Clearing Members or other market participants.

1. Purpose

The purpose of this proposed rule change is to modify the OCC Policies to better reflect current practices at OCC and make other non-substantive, clarifying and administrative changes to the text of these policies.

1. **Proposed Changes to OCC's RMF**

OCC proposes to update the *OCC Risk Universe* section, which outlines the risk categories that may potentially impact OCC's clearing and settlement services. OCC's

⁷ See 17 CFR 240.17ad-22(e)(3)(i) (requiring, among other things, that a covered clearing agency subject its risk management policies, procedures and systems to review on a specified periodic basis and approval by the board of directors annually).

existing RMF states that OCC plans for the possibility that events will occur and affect the delivery of its critical services. To align with SEC Rule 17ad-25(i),⁸ which concerns the governance of service providers for core services, OCC proposes to replace the term “critical” services with “core” services. Therefore, OCC’s proposed changes would provide that OCC plans for the possibility that events will occur and affect the delivery of its core services. OCC believes this proposed change will improve clarity and consistency with SEC Rule 17ad-25(i).⁹

The Legal and Regulatory Risk category under the *OCC Risk Universe* section describes the risk of loss that results from a lack of awareness, misunderstanding or unexpected application of the laws and regulations that apply to OCC’s business, products, services, and relationships or from a failure to comply with contractual obligations. OCC’s proposed changes would update this description to provide that Legal and Regulatory Risk is the risk of loss that results from acts or omissions by OCC that cause a failure to comply with the laws, regulations, or other legal obligations applicable to OCC’s business, products, services, and relationships. OCC believes this proposed change better reflects how OCC categorizes Legal and Regulatory Risk. The purpose of this proposed change is to articulate a more accurate and robust definition of OCC’s Legal and Regulatory Risk. Furthermore, the proposed change is intended to express, in a more straightforward manner for ease of use and readability, what OCC believes its Legal and Regulatory Risk are to be.

⁸ 17 CFR 240.17ad-25(i).

⁹ Id.

OCC proposes to revise the *Governance* section, which outlines OCC's governance model related to the management of risks for OCC's Board and Board Committees, Management Committee, working groups, and employees. Under the *Management Committee and Working Groups* subsection, OCC's proposed changes would add a provision that provides that the Chief Compliance Officer and Chief Audit Executive are members of the Management Committee and report to the Audit Committee of the Board ("Audit Committee"). This proposed change is designed to conform the RMF to OCC's existing governance structure.¹⁰

OCC proposes to update the *OCC Risk Management* section, which outlines its three lines of defense model. OCC's three lines of defense model is currently comprised of: (i) the first line of defense, including but not limited to, OCC's Financial Risk Management ("FRM"), Business Operations, Information Technology, and corporate functions such as Human Resources, Corporate Finance and Enterprise Project Management; (ii) the second line of defense, including but not limited to, OCC's Compliance, Corporate Risk Management, Security and Business Continuity functions; and (iii) the third line of defense, which consists of OCC's Internal Audit function. OCC's existing RMF provides that the first line of defense maintains policies, procedures, processes, and controls established for day-to-day risk management. To align more closely with OCC's existing practices, OCC proposes to include the term "systems"

¹⁰ See OCC's Board Audit Committee Charter (stating that the "Chief Audit Executive shall report functionally to the [Audit] Committee and administratively to a member of the Management Committee designated by the [Audit] Committee" and that the "Chief Compliance Officer shall report functionally to the [Audit] Committee and administratively to a member of the Management Committee designated by the [Audit] Committee), available at https://www.theocc.com/getmedia/0a3ccbce-4481-42c5-86b1-8f44b50c0727/audit_committee_charter.pdf.

in the referenced list to clarify that the first line of defense also maintains certain systems for day-to-day risk management. In addition, OCC's proposed changes would update the title of a referenced policy to reflect accurate and up-to-date information. Specifically, OCC's proposed changes would remove the term "Employee" in the reference to "OCC Employee Code of Conduct" to reflect the current title of the policy, which is the "OCC Code of Conduct."

Under the *First Line of Defense* subsection, OCC proposes to relocate the *Margin* category to earlier in the description of clearing and settlement services outlined in the RMF. Specifically, OCC's proposed changes would relocate the *Margin* category from section (d) to section (c). The purpose of this proposed change is to align more closely with OCC's existing order of operations used to execute risk management related to the clearing and settlement services described in the RMF. OCC's proposed changes would also relocate the *Default Management* category from the *First Line of Defense* subsection into the *Second Line of Defense* subsection. The purpose of this proposed change is to reflect that ownership of *Default Management* will move from OCC's Financial Risk Management ("FRM") business unit to OCC's Corporate Risk Management ("CRM") function. OCC believes that *Default Management* is not exclusively a FRM activity, rather, it touches many areas across OCC. Therefore, OCC believes it is more appropriate for ownership of *Default Management* to reside with OCC's CRM function, which will coordinate default management activities across OCC in the event OCC ever has to implement the procedures outlined in the DMP. Because OCC's CRM function exists in OCC's second line of defense, OCC's proposed changes relocate the *Default*

Management category from the *First Line of Defense* subsection to the *Second Line of Defense* subsection.

Under the *General Business* category within the *First Line of Defense* subsection, OCC's proposed changes would update the reference of "critical" services to "core" services to align with SEC Rule 17ad-25(i).¹¹ More specifically, OCC's proposed changes would provide, in part, that Information Technology reviews OCC's ability to maintain its "core" services under a range of scenarios, including adverse market conditions.

OCC's proposed changes would update the *Legal* category within the *First Line of Defense* subsection to more accurately reflect how OCC manages its legal risk. OCC's existing RMF provides, in part, that to manage legal risk across OCC, employees are required to consult with Legal on legal and regulatory matters. OCC's proposed revisions would update this provision to remove the reference "legal and regulatory matters" and revise the provision to state that in order to manage legal risk across OCC, "Legal provides counsel to OCC on laws, regulations, [and] other legal obligations applicable to OCC." OCC's proposed changes would also make conforming changes to this sentence by removing the phrase "including but not limited to." The existing RMF outlines specific matters in which employees are required to consult Legal. OCC's proposed changes would revise this information to more accurately reflect OCC's current business practices. OCC's current RMF provides that employees are required to consult with Legal on interpretation of laws and regulations applicable to OCC. OCC's proposed

¹¹ See supra, note 8.

changes would revise this sentence to add the provision “matters that may involve application of or” interpretation of laws and regulations. OCC’s proposed changes would remove the reference “applicable to OCC.” For the next matter described in which employees are required to consult Legal, OCC’s proposed changes would add the clarifying language “actual or potential” before the phrase “legal claims against OCC.” OCC’s proposed changes would also include two new provisions, the “identification and protection of OCC intellectual property” and the “recommended contractual protections for OCC business activities” as matters in which employees must consult Legal. Furthermore, OCC’s proposed changes would add clarifying language to update the phrase “contractual obligations of third parties to OCC” to “interpretation of contractual obligations between third parties and OCC.”

OCC proposes general revisions throughout the RMF, including formatting and grammatical changes, such as capitalizing defined terms, deleting unnecessary or redundant language and updating section numbering.

2. Proposed Changes to OCC’s TPRMF

OCC’s proposed changes to the TPRMF would update the definition of Third-Party as it relates to OCC’s relationship with liquidity providers. Under the *Definitions* section, Third-Party is defined as a Clearing Member, clearing bank, custodian, liquidity provider, investment counterparty, financial market utility, Exchange, or vendor, which also has: (1) a relationship with OCC where products and/or services are exchanged; (ii) other ongoing business relationships with OCC; or (iii) responsibility for OCC associated records. OCC’s proposed changes would update the reference from “liquidity provider” to “liquidity provider under OCC’s committed facilities.” OCC believes the addition of

the language “under OCC’s committed facilities” would help limit ambiguity as to what OCC constitutes a “liquidity provider” for this purpose. To promote consistency throughout the TPRMF, OCC’s proposed changes would add “under OCC’s committed facilities” where “liquidity provider” is mentioned in the *Executive Summary* section and in subsection B of the *Third-Party Relationship Management* section. Specifically, the *Executive Summary* section outlines OCC’s approach to identify, measure, monitor, and manage risk arising from Third-Party relationships, including relationships with Clearing Members, clearing banks, custodians, liquidity providers, investment counterparties, financial market utilities, exchange relationships and vendors. OCC’s proposed changes update the reference from “liquidity providers” to “liquidity providers under OCC’s committed facilities” to align with the proposed changes described above. In addition, OCC’s proposed changes would revise subsection B of the *Third-Party Relationship Management* section to include the terminology “under OCC’s committed facilities” when referencing liquidity providers. OCC’s TPRMF currently provides that OCC maintains relationships with Financial Institutions that facilitate clearance and settlement activities, manage collateral, provide liquidity, and serve as investment counterparties. OCC’s proposed changes would add the phrase “under OCC’s committed facilities” to align with the proposed changes described above.

OCC’s proposed changes to the TPRMF would also remove an outdated reference to Article V of OCC’s By-Laws, which is currently “reserved,” and replace it with reference to existing provisions throughout the OCC Rules. OCC recently reorganized

such provisions in a prior rule filing.¹² Specifically, OCC’s proposed changes would replace the reference “Article V, Section 2 of OCC’s By-Laws” with “OCC Rule 203(a),” as outlined in subsection A of the *Third-Party Relationship Management* section.

3. Proposed Changes to OCC’s DMP

OCC’s proposed changes to the DMP update the *Purpose* section to streamline language and remove reference to unnecessary detail. The *Purpose* section of the DMP provides, in part, that the DMP outlines the steps that OCC may take in the event of Clearing Member suspension, settlement bank failure, or the failure of a financial market utility (“FMU”) to perform. The DMP provides examples of FMUs, including DTC, NSCC or CME. OCC’s proposed changes eliminate the specific reference to DTC, NSCC, and CME. OCC believes these specific details regarding FMUs are better suited to OCC’s policies and procedures specific to FMUs.¹³

OCC’s proposed changes also update footnote one in the *Purpose* section related to Clearing Member default and Clearing Member suspension. OCC’s proposed changes streamline the descriptions in footnote one to more closely align with OCC’s Rules and By-Laws. The current language in footnote one states that in accordance with the By-Laws and Rules, OCC may liquidate the Clearing Member’s margin and Clearing Fund contribution and may take any other applicable actions as set for in the By-Laws and

¹² See Order Granting Approval of Proposed Rule Change by the Options Clearing Corporation Concerning the Amendment of its Clearing Membership Standards, Exchange Act Release No. 97439 (May 5, 2023), 88 FR 30373 (May 11, 2023) (SR-OCC-2023-002) (“Clearing Membership Standards”).

¹³ For example, OCC’s Linked FMU Disruption Procedure addresses risk to OCC arising from a disruption to the functioning of a linked FMU, including specific details related to the disruption of DTC, NSCC and CME.

Rules. However, liquidating the Clearing Member's margin and Clearing Fund contribution is not the only action that OCC can take in the event of a Clearing Member default or Clearing Member suspension. OCC's proposed changes would instead clarify that in either situation, OCC may take any applicable actions as set forth in the By-Laws and Rules that it deems necessary for the protection of the Corporation, other Clearing Members, or the general public. OCC believes this description more closely aligns with OCC's Rules and By-Laws. Conforming changes are also proposed in footnote one to streamline language and eliminate unnecessary terms.

In the *Applicability and Scope* section, OCC proposes to remove duplicative information related to the list of high-level activities that may occur in the event of a Clearing Member default, settlement bank failure, or failure of an FMU to perform. Each high-level activity referenced is its own subsection header throughout the document. OCC believes it is unnecessary and duplicative to maintain such information in multiple places, so OCC proposes to eliminate the list.

OCC proposes amendments to the *Continued Performance of Settlement Obligations* section. OCC proposes to specify that the abbreviation for "FRM" is "Financial Risk Management." The current language in this section provides, in part, that FRM prepares for the Management Committee and/or its delegates an exposure summary report that contains certain information regarding a suspended Clearing Member. OCC proposes to delete the outdated reference that the exposure summary report is prepared "for Management Committee and/or its delegates" because such report is currently prepared for and distributed to OCC's Default Management group and the Office of the Chief Executive Officer, in accordance with OCC's existing Default Management

Procedure. The current language in this section also provides, in part, that FRM must recommend to the Management Committee and/or its delegates whether it believes OCC needs to draw on OCC's available liquidity resources to satisfy the settlement obligations of the suspended Clearing Member. For the same reason described above, OCC also proposes to delete the outdated reference "for Management Committee and/or its delegates."

In the *Extension of Settlements* section, OCC's proposed changes clarify OCC's settlement obligation to non-defaulting Clearing Members. The current language in this section provides that OCC's settlement obligation is to fund credits (i.e., payment obligations owed by OCC to its Clearing Members) by 1:00 PM CT. OCC proposes to specify that the payment obligation is owed by OCC to its "non-defaulting" Clearing Members. OCC also proposes to update language within this section to align more closely with existing Rule 505¹⁴ as it relates to reporting the determination to extend settlement. Specifically, the existing language in the DMP provides, in part, that such determination [to extend settlement] and the reasons thereof will be promptly reported to the SEC and the CFTC by the General Counsel or delegate in Legal. In addition to the SEC and CFTC, OCC proposes to include that the determination will be reported to "any other regulatory or supervisory agencies having jurisdiction over OCC." The purpose of this proposed change is to accurately reflect and conform to existing Rule 505.¹⁵

OCC proposes a clarifying change in the *Sources and Uses of Financial Resources ("Waterfall")* section, which outlines the resources that OCC can utilize to

¹⁴ See supra, note 5 at Rule 505.

¹⁵ Id.

meet financial resource obligations as a result of Clearing Member suspension. Under item six, “Clearing Fund assessments,” OCC proposes to specify the reference to a “non-defaulting” Clearing Member. Currently under “Clearing Fund assessments,” the language states that each Clearing Member may be assessed additional amounts, subject to a cap. For clarity and consistency throughout the document, OCC’s proposed changes provide that the Clearing Member that may be assessed additional amounts is a “non-defaulting” Clearing Member. OCC also proposes to update the *Sources and Uses of Financial Resources (“Waterfall”)* section to specify that the abbreviation for “EDCP” is “Executive Deferred Compensation Plan.”

OCC proposes additional revisions in the *Close-Out of Positions* section. The current footnote eight in the DMP provides that in the event the CFRO is unavailable, the Close-out Action plan can be presented to the CRO for approval. To align with the provision in footnote eight, OCC proposes to clarify that the CRO, in addition to the CFRO, may also determine the manner in which positions and collateral will be closed out. In addition, OCC proposes to update the name of the referenced OCC department from the “Market Risk and Default Management Department (“MRDM”)” to the “Market Risk Department” to reflect the current title of the department. Therefore, OCC’s proposed revisions would provide that the CFRO “or CRO” may determine, based upon the recommendations of the “Market Risk Department (“Market Risk”)” but subject to the rules concerning reporting requirements, to take any one or any combination of actions in closing out the option position of a suspended Clearing Member. OCC’s proposed changes update the reference from “MRDM” to “Market Risk” throughout the remainder of the DMP. Further, under the “Market Transactions” bullet point, OCC

proposes minor clarifying changes to update the referenced term from “Liquidation Agent” to “liquidation agent(s)” because this is not a defined term by OCC and therefore does not need to be capitalized. Under the “Private Portfolio Auction” bullet point, OCC proposes to eliminate the provision that states “Certain non-defaulting members may be required to participate in auctions for OTC or other products as required under Rule 1106(e)(2),” because OCC does not intend to offer OTC options going forward.¹⁶ In the last paragraph under the *Close-Out Positions* section, OCC proposes conforming changes to align with the concept in footnote eight related to the ability for the CRO to approve the Close-Out Action Plan (“CAP”). The current language in the last paragraph of the *Close-Out Positions* section provides that upon approval of the CAP by the CFRO, FRM and other designated business officers/departments must be responsible for its execution. OCC proposes to delete the phrase “by the CFRO” because the CRO, in the event the CFRO is unavailable, also can approve the CAP, as stated in footnote eight of the DMP.

OCC proposes additional minor and clarifying revisions to the *Demand and Transfer of Collateral* section. The current text in this section states that all pledged valued margin collateral shall be moved by the Collateral Services Department into an OCC account and may be transferred to an auction recipient, delivered to a liquidating agent or delivered to a liquidating settlement account. OCC proposes to clarify the valued margin collateral is valued “securities” margin collateral. OCC also proposes to clarify that the valued securities margin collateral moved by the Collateral Services Department into an OCC account is into an OCC account “at DTC.” This proposed change is intended

¹⁶ See Securities Exchange Act Release No. 101621 (Nov. 14, 2024), 89 FR 91825 (Nov. 20, 2024) (File No. SR-OCC-2024-013) (approving changes including OCC’s proposal to “delete rule provisions related to [OTC] option products.”)

to articulate OCC's existing practice; it does not introduce a new concept. Lastly, OCC's proposed changes would replace "liquidating agent" with "liquidation agent" to promote consistency across the referenced terms in the document.

Under the *Clearing Fund Replenishment* section, OCC's proposed changes provide additional details on the authority to approve a proportionate charge against the Clearing Fund. Specifically, the existing language provides, in part, that during or upon the completion of the close-out of open obligations, the Chairman, CEO or COO must determine whether a proportionate charge needs to be made against the Clearing Fund in connection with the liquidation. OCC proposes to eliminate the phrase "shall determine whether" and replace that with "has the authority to approve." OCC's proposed changes also include specific details that the Chairman, CEO, or COO has the authority to approve a proportionate charge against the Clearing Fund "upon recommendation from the CFRO or CRO." The requirement of receiving a recommendation from the CFRO or CRO is not a new concept, rather, it is included as a proposed change to memorialize the information in writing to promote clarity for use of the DMP. To streamline the language provided, OCC also proposes to eliminate the phrase "in connection with the liquidation" at the end of the referenced sentence. Finally, OCC proposes to add clarifying language by including the terms "financial resource" before the term "shortfall" in the last paragraph of this section. OCC believes this additional detail will help to clarify the type of shortfall and eliminate ambiguity.

Within the *Recovery Tools* section, OCC proposes to more clearly describe voluntary and mandatory tear-ups. OCC proposes to revise the description from "voluntary and mandatory tear-ups" to "voluntary and mandatory tear-ups of open

positions.” OCC believes this additional detail clarifies exactly what is being torn up in the event OCC deploys this recovery tool.

OCC also proposes amendments to the *Testing and Review* section. The current language in this section provides that the Default & Recovery Working Group (“Working Group”) assists the Management Committee by overseeing OCC’s default management program. OCC proposes to include additional detail to this provision by adding that the Default & Recovery Working Group oversees the default management “and recovery” program. The Default & Recovery Working Group was recently renamed to reflect the combination of two separate working groups: the Recovery and Wind-Down Working Group and the Default Management Working Group. To memorialize the responsibilities from both working groups in the combined Working Group, OCC proposes to include the additional information that the Working Group oversees the default management “and recovery” program. Furthermore, OCC’s proposed changes to the *Testing and Review* section update existing language to eliminate redundancy. The current language provides, in part, that on at least an annual basis, the Working Group must establish and present to the Management Committee for information and consent an annual default testing plan. OCC believes the term “information” is redundant in nature, and therefore OCC proposes to eliminate the reference. Lastly, OCC proposes to revise a reference in this section from an “Information and Consent” memorandum to a “Consent” memorandum to reflect the current practices at OCC. OCC no longer utilizes an “Information and Consent” memo format and as such, OCC proposes to delete reference to it.

OCC also proposes general revisions throughout the DMP, including formatting and grammatical changes, such as updating the section header of the document to align

with current format, capitalizing the term “Clearing Member,” and deleting unnecessary or redundant language.

2. Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Exchange Act¹⁷ and Rules 17ad-22(e)(1) through (3)¹⁸ thereunder. Section 17A(b)(3)(F) of the Act¹⁹ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. OCC’s proposed changes update the OCC Policies to more closely align with current business practices at OCC. The proposed changes also provide additional detail and clarifying information in the OCC Policies to enhance accuracy, clarity, and consistency in the documents. OCC believes that updating the OCC Policies to align with existing practice and enhancing the clarity of the descriptions in the OCC Policies, which are central to OCC’s clearance and settlement activities, would promote the accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. For these reasons, OCC believes its proposed changes align with Section 17A(b)(3)(F) of the Act.

Rule 17ad-22(e)(1)²⁰ requires, in part, that OCC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-

¹⁷ 15 U.S.C. 78q-1.

¹⁸ 17 CFR 240.17ad-22(e)(1)-(3).

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ 17 CFR 240.17ad-22(e)(1).

founded, clear, transparent, and enforceable legal basis for each aspect of OCC's activities in all relevant jurisdictions.²¹ OCC's proposed changes update the OCC Policies to make non-substantive, clarifying, conforming and administrative changes, including revisions to (i) remove duplicative information, (ii) add relevant detail, and (iii) update references to align with relevant descriptions. OCC believes these proposed changes will improve clarity and transparency in the OCC Policies and provide for an enforceable legal basis, in accordance with Rule 17ad-22(e)(1).²²

Rule 17ad-22(e)(2)²³ provides, in part, that OCC must establish, implement and maintain policies and procedures for governance arrangements that specify clear and direct lines of responsibility. OCC's proposed changes update the OCC Policies to better align with OCC's current business practices, including updates to descriptions of processes and governance requirements. OCC's proposed changes also clarify the responsibilities of OCC departments. More specifically, OCC's proposed changes in DMP clarify the responsibility of the CRO as it relates to the close-out of open positions of a suspended Clearing Member. OCC believes these proposed changes would promote clarity in OCC's governance arrangement and specify clear and direct lines of responsibility. Accordingly, OCC believes its proposed changes are consistent with Rule 17ad-22(e)(2).²⁴

²¹ Id.

²² See supra, note 20.

²³ 17 CFR 240.17ad-22(e)(2).

²⁴ Id.

Lastly, Rule 17ad-22(e)(3) requires, in part, that OCC maintain a risk management framework that includes policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by OCC, that are subject to review on a specified periodic basis and approved by the board of directors annually.²⁵ OCC's proposed revisions in this rule filing incorporate changes to the OCC Policies that were identified during OCC's annual review process and approved by the Board. Therefore, OCC believes the proposed rule changes would support its obligation to maintain a sound risk management framework that is subject to periodic review and annual approval by the Board, in accordance with Rule 17ad-22(e)(3)(i).²⁶

(B) Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act²⁷ requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed rule changes would have any impact or burden on competition. The purpose of OCC's proposed rule change is to amend the OCC Policies to better reflect current practices at OCC and make other non-substantive, clarifying and administrative changes to the text of these policies. More specifically, OCC's proposed changes also (i) update terminology in the OCC Policies to align with recently adopted Rules,²⁸ (ii) remove outdated references to OCC's By-Laws, (iii) update outdated titles of referenced OCC departments when applicable, (iv) provide

²⁵ 17 CFR 240.17ad-22(e)(3)(i).

²⁶ Id.

²⁷ 15 U.S.C. 78q-1(b)(3)(I).

²⁸ See supra, note 8.

contextual revisions for precision, and (v) promote more robust descriptions within the OCC Policies. The proposed amendments to the OCC Policies would have no impact on Clearing Members or other market participants. Accordingly, OCC believes that the proposed rule changes would be consistent with the requirements of the Act applicable to clearing agencies and would not impact or impose a burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁹ and paragraph (f) of Rule 19b-4³⁰ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.³¹

²⁹ 15 U.S.C. 78s(b)(3)(A).

³⁰ 17 CFR 240.19b-4(f).

³¹ Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation 40.6.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2025-015 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2025-015. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of such filing will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/Company-Information/Documents-and-Archives/By-Laws-and-Rules>.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part

or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-OCC-2025-015 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Secretary

³² 17 CFR 200.30-3(a)(12).

Exhibit 5A

Underlined text indicates new text.

~~Strikethrough~~ text indicates deleted text.

~~Strikethrough~~ and underlined indicates text that has been relocated in the existing document, as described in brackets.

Risk Management Framework



Effective Date:	2/3/2025 [TBD]
Approval:	Board of Directors

I. PURPOSE

This Risk Management Framework (“Framework”) describes how The Options Clearing Corporation (“OCC”) manages risk while providing efficient and effective clearing and settlement services to the markets it serves. This Framework explains how OCC’s governance model and three lines of defense facilitate risk management. Additionally, this Framework addresses OCC’s ability to employ recovery tools and facilitate an orderly wind-down.

II. OCC RISK UNIVERSE

OCC plans for the possibility that events will occur and affect the delivery of its **critical core** services. As a clearing house, OCC manages the risks it faces to serve the market in an efficient and effective manner. OCC has grouped risks that potentially impact clearing and settlement services into the risk categories below.

Financial Risk is the risk that OCC is unable to maintain sufficient financial resources to cover its exposures under normal and stressed conditions.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, and people, or from external events.

Information Technology and Security Risk is the risk that OCC is unable to maintain technology capabilities or services to support its operations, and the risk that OCC is unable to detect, defend against, and respond to security threats and incidents.

Legal and Regulatory Risk is the risk of loss that results from ~~a lack of awareness, misunderstanding or unexpected application of the laws and regulations that apply to OCC’s business, products, services, and relationships or from a failure to comply with contractual obligations~~ acts or omissions by OCC that cause a failure to comply with the laws, regulations, or other legal obligations applicable to OCC’s business, products, services, and relationships.

General Business Risk is the risk of potential impairment to OCC’s financial position resulting from a decline in revenues or an increase in expenses, failure to achieve its strategic objectives or adverse reputational issues.

OCC identifies, manages and reports on these risks through the three lines of defense model, outlined below. In accordance with the Corporate Risk Management Policy, these risk categories are broken down to risk sub-categories and risk statements, which comprise the universe of the risks that OCC manages to maintain effective clearing and settlement operations.

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III. **GOVERNANCE**

OCC's Board of Directors ("Board") oversees the management of the risks that arise in or are borne by OCC. OCC's governance structure includes the Board, Board committees, Management Committee, working groups, and employees.

A. Board of Directors and Board Committees

The Board is responsible for advising and overseeing management. Pursuant to the OCC Board of Directors Charter and Corporate Governance Principles, the Chief Risk Officer presents a review of this Framework to the Board for approval at least annually.

The Board may delegate the oversight of specific risks to Board committees. The Board may form or disband committees, including subcommittees to manage specific risks, as it from time to time deems appropriate, and may delegate authority to one or more designated members of such committees. The responsibilities of Board committees with regard to managing risks are outlined in committee charters.

B. Management Committee and Working Groups

OCC's Management Committee supports the management and conduct of its business in accordance with policy directives from the Board. The Management Committee includes officers¹ responsible for ensuring that its actions and decisions are consistent with OCC's mission, Code of Conduct, Rules and By-Laws, policies, procedures, and general principles of sound corporate governance. The Chief Risk Officer is a member of the Management Committee and reports to the Risk Committee of the Board ("Risk Committee"). [The Chief Compliance Officer and Chief Audit Executive are members of the Management Committee and report to the Audit Committee of the Board \("Audit Committee"\).](#) The Management Committee may form and delegate authority to subcommittees and working groups of employees to conduct certain of its activities. Subcommittees and working groups are responsible for reporting and escalating information as appropriate.

C. Employees

OCC considers risk management during employee recruitment, development, training, and succession planning. OCC recruits and retains personnel with appropriate risk management knowledge, skills, and competencies. OCC also identifies successors for designated officers based on knowledge and experience. OCC provides internal and external development opportunities including required training related to risk, compliance, security, conflicts of interest, escalation of concerns, and the OCC Code of Conduct. OCC provides outlets for employees to anonymously report concerns that are reviewed by Compliance, Human Resources, and Legal.

¹ The Management Committee may include, but is not limited to the following officers Chief Executive Officer, Chief Operating Officer, Chief Financial Risk Officer, Chief External Relations Officer, Chief Risk Officer, Chief Audit Executive, Chief Compliance Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Information Officer, Chief Security Officer, General Counsel, and Chief Clearing and Settlement Services Officer.

Risk Management Framework



IV. OCC RISK MANAGEMENT

OCC employs a three lines of defense model. The model clearly assigns ownership and accountability and enhances communication for expectations around risk management throughout the organization. The first line of defense maintains policies, procedures, processes, [systems](#), and controls established for day-to-day risk management. The second line of defense evaluates and provides challenge to the first line by executing critical analysis to identify process limitations and recommending risk treatments including, but not limited to, changes to relevant policies, procedures, processes, systems, and controls. Lastly, the third line of defense is an internal audit function that reviews and provides objective assurance to the first and second lines. OCC employees report to members of the Management Committee. Consistent with the OCC ~~Employee~~ Code of Conduct, employees are expected to escalate risk information through their reporting line or to other members of management. Risks identified at OCC are reported to the Management Committee and Board consistent with relevant charters and policies.

A. First Line of Defense

The risk inherent in OCC's clearing and settlement services is managed by the first line of defense, which is responsible for owning and managing risks by maintaining policies, procedures, processes, systems, and controls. The first line of defense is comprised of OCC's operational business units, including Financial Risk Management ("FRM"), Business Operations, and Information Technology, and also includes corporate functions such as Human Resources, Corporate Finance and Enterprise Project Management. The first line of defense is accountable for maintaining internal controls, control self-testing, and implementing corrective action to address control deficiencies. The first line of defense maintains policies and associated procedures that detail the processes and controls implemented across business units which are used to execute risk management related to the clearing and settlement services detailed below.

a. Membership Standards

Membership standards are established by the Board and primarily risk managed by FRM with support from Business Operations and Information Technology in accordance with the Third-Party Risk Management Framework. OCC has risk-based clearing membership standards to manage the risks arising from Clearing Members. These requirements include applicable registrations, net capital requirements, creditworthiness, adequate operational and risk management capabilities, and maintaining qualified personnel. The Risk Committee reviews these standards to ensure OCC provides fair and open access to clearing and settlement services. Clearing Members that fail to meet the membership standards face potential consequences up to and including suspension.

b. Credit

OCC's credit risk is primarily managed by FRM with support from Business Operations and Corporate Finance. OCC is exposed to credit risk based on its role as guarantor of cleared contracts. OCC has credit risk related to Clearing Members and manages this exposure by collecting sufficient margin and Clearing Fund resources based on a Clearing Member's risk profile. OCC also faces credit risk from other financial institutions that facilitate payment, clearing, and settlement activities (e.g., clearing banks, custodians, and linked financial market utilities). FRM monitors its credit risk related to Clearing Members and financial institutions consistent with the Third-Party Risk Management Framework. FRM analyzes the creditworthiness of each financial institution, in addition to other information that could impact the financial institution's ability to facilitate payment, clearing, and settlement services, on an ongoing basis.

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~~c.~~ **d. Margin**

OCC's margin is primarily managed by FRM with support from Business Operations. FRM utilizes a risk-based margin methodology to calculate Clearing Member margin requirements in accordance with OCC's confidential Margin Policy and Chapter VI of OCC's Rules. FRM calculates margin daily for Clearing Member accounts. Intra-day margin calls may also be made for accounts exhibiting an elevated risk profile. FRM reviews the adequacy of its margin methodology at least monthly through sensitivity analysis, backtests, and an analysis of its parameters and assumptions. FRM reports the results of margin analyses to the Board.

[Relocated from below]

~~c.~~ **d. Clearing Fund**

OCC's Clearing Fund is primarily managed by FRM with support from Business Operations. OCC maintains a Clearing Fund comprised of high-quality liquid assets to cover its credit risk exposure from Clearing Members in accordance with OCC's confidential Clearing Fund Methodology Policy and Chapter X of OCC's Rules. FRM uses stress tests to project the Clearing Fund size necessary to maintain prefunded financial resources to cover losses arising from the default of the two Clearing Member Groups that would potentially cause the largest aggregate credit exposure to OCC in extreme but plausible market conditions. FRM also uses stress test results to determine the sufficiency of the Clearing Fund size and determine whether to issue calls for additional collateral or perform an intra-month Clearing Fund resizing. FRM reviews the adequacy of its Clearing Fund methodology at least monthly through a comprehensive analysis of stress testing scenarios, models, and underlying parameters and assumptions. FRM reports the results of Clearing Fund analyses to the Board.

d. Margin

~~OCC's margin is primarily managed by FRM with support from Business Operations. FRM utilizes a risk-based margin methodology to calculate Clearing Member margin requirements in accordance with OCC's confidential Margin Policy and Chapter VI of OCC's Rules. FRM calculates margin daily for Clearing Member accounts. Intra-day margin calls may also be made for accounts exhibiting an elevated risk profile. FRM reviews the adequacy of its margin methodology at least monthly through sensitivity analysis, backtests, and an analysis of its parameters and assumptions. FRM reports the results of margin analyses to the Board.~~

e. Collateral

OCC's collateral risk is primarily managed by FRM with support from Business Operations, and Corporate Finance in accordance with OCC's confidential Collateral Risk Management Policy and OCC Rules 604 and 1002. OCC requires its Clearing Members to deposit collateral as margin and Clearing Fund. OCC limits acceptable assets to those with low credit, market, and liquidity risks, and employs other risk mitigation tools, including collateral concentration limits. FRM applies risk-based haircuts and Business Operations revalues collateral daily to ensure margin and Clearing Fund requirements are met. FRM reviews the sufficiency of collateral haircuts and concentration limits at least annually.

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f. Liquidity

OCC's liquidity risk is primarily managed by FRM with support from Corporate Finance. OCC manages its liquidity risk in accordance with its confidential Liquidity Risk Management Framework by maintaining a reliable and diverse set of committed resources and liquidity providers, establishing a contingent funding plan to collect additional resources, and performing daily stress testing that covers a wide range of scenarios that include the default of the Clearing Member Group that would generate the largest aggregate liquidity obligation in extreme but plausible market conditions. FRM reviews the sufficiency of its resources at least monthly through a comprehensive analysis of the scenarios, models, and underlying parameters and assumptions. FRM reports the results of these analyses to the Board.

g. Settlement

OCC's settlement risk is managed by Business Operations in accordance with Chapters V and IX of OCC's Rules. OCC uses approved clearing banks to facilitate settlements on at least a daily basis. OCC issues instructions to clearing banks to debit or credit the account of a Clearing Member, and correspondingly debit or credit OCC's account, with a specific dollar amount by a specified time. Settlement finality occurs when a clearing bank confirms the settlement instruction or is silent past the applicable deadline.

h. Custody and Investment

OCC's custody and investment risk is primarily managed by Corporate Finance, with support from Business Operations and FRM in accordance with OCC Rules 604 and 1002(b). OCC holds its own and its Clearing Members' assets at approved settlement and custodian banks, as well as through linkages with other financial market utilities. OCC requires settlement and custodian banks to meet minimum financial and operational requirements. OCC complies with applicable customer protection and segregation requirements for the handling of customer funds. OCC maintains working capital and noninvested Clearing Member cash in accounts that minimize delays in access to funds. OCC maintains accounts at the Federal Reserve to hold funds. OCC invests in instruments with minimal credit, market, and liquidity risks.

i. ~~Default Management~~

~~OCC's default management risk is managed by FRM in accordance with OCC's confidential Default Management Policy and Chapter XI of OCC's Rules. In the event of a Clearing Member default, OCC takes timely action to contain losses and liquidity pressures and continue to meet its obligations. OCC closes open positions in an orderly manner, which may include performing auctions, utilizing liquidation agents, or transferring positions to a non-suspended Clearing Member. Margin and Clearing Fund deposits of the defaulting Clearing Member are used to offset any realized losses, followed by other financial resources. OCC performs default testing at least annually with the participation of designated Clearing Members and other stakeholders to evaluate its processes and systems, including close-out processes.~~

j. ~~i.~~ General Business

OCC's general business risk is primarily managed by Corporate Finance, with support from Information Technology, Business Operations, and FRM. Corporate Finance performs financial planning and analysis, reviews operating budgets and fee structures, and reviews business performance. OCC

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maintains liquid net assets funded by equity sufficient to cover potential general business losses and comply with financial resource requirements in accordance with its confidential Capital Management Policy. Furthermore, Information Technology reviews OCC's ability to maintain its ~~critical~~ core services under a range of scenarios, including adverse market conditions. Business Operations and FRM also perform assessments to determine if potential new business opportunities fit within OCC's models and risk management systems.

~~k.~~ j. Technology

OCC's technology risk is managed by Information Technology. OCC uses technology solutions to manage risk and facilitate clearing and settlement by utilizing systems that have adequate levels of availability, security, resiliency, integrity, and adequate, scalable capacity based on their criticality. Information Technology manages technology risk by utilizing a structured technology delivery approach that provides for consistency and establishes responsibilities and requirements. Information Technology monitors and evaluates technology performance based on service levels related to data integrity, system availability, data timeliness and data quality to manage technology risk. To achieve these service levels, Information Technology manages OCC's efforts across technology incidents, changes, configurations, system capacity, and evaluates system recoverability through disaster recovery testing.

~~k.~~ k. Legal

OCC's legal risk is managed through efforts across OCC that are advised by Legal. OCC manages its legal risk by establishing, implementing and enforcing written documents, including Rules and By-Laws, policies, and legal agreements, that are reasonably designed to provide a well-founded, clear, transparent, and enforceable legal basis for each aspect of OCC's activities in all relevant jurisdictions and comply with applicable legal and regulatory requirements. In order to manage legal risk across OCC, Legal provides counsel to OCC on laws, regulations, other legal obligations applicable to OCC, and employees are required to consult with Legal on ~~legal and regulatory matters, including but not limited to~~ (i) matters that may involve application of or interpretation of laws and regulations ~~applicable to OCC,~~ (ii) actual or potential legal claims against OCC, (iii) government or regulatory requests or inspections, (iv) matters that may be the subject of a regulatory filing including OCC's Rules and By-Laws, (v) identification and protection of OCC intellectual property, (vi) interpretation of ~~and~~ contractual obligations ~~of between~~ third parties ~~to and~~ OCC, and (vii) recommended contractual protections for OCC business activities.

B. Second Line of Defense

OCC's second line of defense includes Compliance, Corporate Risk Management, Security, and Business Continuity functions. The second line has no operational authority or responsibility for the first line to prevent conflicts of interest. The second line provides objective analysis to identify potential enhancements and improvements to first line processes to help ensure compliance with applicable laws and regulations and prudent risk management. Second line management reports to Board committees and has the authority to escalate information to the first line, Management Committee, and Board. Additionally, second line management provides reports to the Board at least quarterly at its scheduled meetings.

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a. Compliance

Compliance oversees OCC's management of compliance risk and adherence to applicable rules and regulations, policies, procedures, processes, controls, and standards of conduct. Compliance manages compliance risk by establishing processes to prevent, detect, respond to, and report on compliance risk. Compliance supports and assesses the management of compliance risk through advising, monitoring, reporting, testing, and training activities and maintains mechanisms for reporting unethical or fraudulent behavior or misconduct.

b. Corporate Risk Management

Corporate Risk Management evaluates enterprise risk by identifying, measuring, monitoring, managing, reporting, and escalating risks to inform decision-making in accordance with the Corporate Risk Management Policy. Corporate Risk Management evaluates enterprise risk to provide an understanding of inherent and residual risks as compared against Board-approved levels.

i. Operational Risk and Financial Risk Oversight

Operational Risk and Financial Risk Oversight provide independent oversight, guidance, challenge, and monitoring to the organization on its risk identification, assessment, and treatment, including its internal controls, in order to manage the organization's risk and to support the Management Committee and Board in providing effective oversight of OCC's operational, financial, and enterprise risks.

ii. Third-Party Risk

Third-Party Risk Management evaluates risks posed to OCC by third parties by identifying, measuring, monitoring, managing, reporting, and escalating risks as described in the Third-Party Risk Management Framework. Third-Party Risk Management aggregates information about the risks presented by third parties based on their relationships to OCC.

iii. Model Risk Management

Model Risk Management performs independent model validation, evaluates model parameters and assumptions, assesses mitigating factors, and provides effective and independent challenge throughout OCC's Risk Methodology lifecycle in accordance with its confidential Model Risk Management Policy. Risk Methodologies are governed and independently assessed and certified to determine adequate performance at least annually. This includes model testing and performance monitoring (e.g., backtesting, sensitivity analysis).

iv. ~~i.~~ Default Management

OCC's default management risk is overseen by Corporate Risk Management and primarily implemented managed by FRM, Business Operations, and Corporate Finance in accordance with OCC's confidential Default Management Policy and Chapter XI of OCC's Rules. In the event of a Clearing Member default, OCC takes timely action to contain losses and liquidity pressures and continue to meet its obligations. OCC closes open positions in an orderly manner, which may include performing auctions, utilizing liquidation agents, or transferring positions to a non-suspended Clearing Member. Margin and Clearing Fund deposits of the defaulting Clearing Member are used to offset any realized losses, followed by other

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[financial resources. OCC performs default testing at least annually with the participation of designated Clearing Members and other stakeholders to evaluate its processes and systems, including close-out processes. The Default Management Policy also governs failures of settlement banks and linked financial market utilities.](#)

[\[Relocated from First Line of Defense subsection\]](#)

c. Security

Security manages information, physical, and personnel security risk to safeguard the confidentiality, integrity, and availability of corporate information systems and data assets implemented and maintained by Information Technology. Security employs a risk-based methodology and controls to manage information governance, system resiliency, and cyber security. In addition, Security maintains policies and procedures that require appropriate protective controls and event detection via security monitoring. Security evaluates its processes and controls through internal and external testing, scanning for threats and vulnerabilities, and benchmarking against industry standards.

Security conducts cyber risk assessments ("ITRA") to document changes or additions to OCC's cyber risk posture, which are triggered by the procurement of new technologies, changes to the technology environment, requests for extensions and/or revisions to security-related findings, or requests from the Chief Security Officer. A cyber risk assessment may also be triggered by the onboarding and periodic review of third parties.

d. Business Continuity

Business Continuity maintains a business continuity program that establishes OCC's plan for maintaining backup and recovery capabilities that are sufficiently resilient and geographically diverse to address both internal and external events that could impact OCC's operations.

C. Third Line of Defense

OCC's third line of defense consists of Internal Audit. Internal Audit is independent and reports directly to the Audit Committee of the Board ("Audit Committee") to ensure this independence; the Audit Committee oversees the activities performed by Internal Audit in accordance with the Audit Committee Charter. Internal Audit has no responsibility for first or second line functions. Internal Audit designs, implements, and maintains an audit program that provides the Management Committee and Audit Committee independent and objective assurance related to the quality of OCC's risk management, governance, compliance, controls, and business processes in accordance with the confidential Internal Audit Policy. Internal Audit issues independent reports to the first and second line as well as the Audit Committee and Board.

V. RECOVERY AND ORDERLY WIND-DOWN PLAN

In the event of extreme financial, operational, or general business stress, OCC may invoke its Recovery and Orderly Wind-Down Plan which is maintained and facilitated by Corporate Risk Management and details the departments responsible for executing the plan. OCC employs a set of recovery tools in the event of severe financial, operational, or general business stress, to continue to provide critical clearing and settlement services. Should OCC's recovery efforts be unsuccessful or if, based on facts and

Risk Management Framework



circumstances, it is determined that its recovery tools would be insufficient, OCC has a wind-down plan that provides for the orderly resolution of the firm.

VI. RISK ACCEPTANCES AND DEVIATIONS

Risk acceptances, including deviations or exceptions to OCC's risk management frameworks and policies, shall be escalated to Corporate Risk Management and Compliance in accordance with the Corporate Risk Management Policy and Policy Governance Policy.

Exhibit 5B

Underlined text indicates new text.

~~Strikethrough~~ text indicates deleted text.



Third-Party Risk Management Framework

Effective Date:	12/2/2024 [TBD]
Board Approval:	Risk Committee

I. EXECUTIVE SUMMARY

As a central counterparty, The Options Clearing Corporation (“OCC”) is exposed to risks arising from its Third-Party relationships. This Third-Party Risk Management Framework (“Framework”) outlines OCC’s approach to identify, measure, monitor, and manage risks arising from Third-Party relationships including:

- Clearing Members
- Clearing Banks, custodians, liquidity providers [under OCC’s committed facilities](#), and investment counterparties (“Financial Institutions”)
- Financial market utilities (“FMU”)¹
- Exchange Relationships
- Vendors

This Framework is approved by the Risk Committee of OCC’s Board of Directors (“Risk Committee”) at least annually and implemented by the Management Committee (“MC”).

II. RISK IDENTIFICATION

OCC faces risks associated with its Third-Party relationships, including:

Financial risks arise from a Clearing Member failing to meet its financial obligations to OCC including, but not limited to, obligations related to settlement, margin, and clearing fund. OCC may also face financial risks from other Third-Parties not meeting their obligations to OCC, including, but not limited to, facilitating daily settlements, providing timely access to collateral, honoring liquidity draw requests, or meeting obligations under an agreement.

Operational risks arise from errors, disruptions, failures, or the inability of a Third-Party to fulfill its obligations to OCC. These risks include a Third-Party disruption preventing OCC from completing trade processing, daily settlements, accessing collateral, or safeguarding OCC property, equipment, or personnel.

General Business Risk arise when a Third-Party is unable to fulfill its obligations due to events or disruptions from the Third-Partys’ administration and operation of its business resulting in a loss to OCC.

Information Technology and Security risks arise when a Third-Party is unable to safeguard OCC systems or data or maintain capabilities or services to support OCC’s operations in accordance with OCC’s service standards.

Legal and Regulatory risks arise when a Third-Party fails to fulfill its obligations to OCC or OCC fails to fulfill its obligations to a Third-Party. These risks also arise when a Third-Party fails to comply with

¹ FMUs may include any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among Financial Institutions or between Financial Institutions and the person.



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regulatory standards and protocols agreed to with OCC. They also include exposure to potential litigation or regulatory compliance concerns.

III. THIRD-PARTY RELATIONSHIP LIFECYCLE

OCC's relationship lifecycle is designed to identify, measure, monitor, and manage Third-Party risks. The lifecycle consists of three stages.

- **On-Boarding** – Third-Parties are evaluated to determine whether they can engage in or expand a relationship with OCC. After evaluation, OCC completes any operational tasks necessary to activate the relationship.
- **Ongoing Monitoring** – Third-Parties are monitored for compliance with standards, the presence of additional or increased risks, and fulfillment of contractual obligations. Ongoing monitoring is conducted based upon the nature of each relationship and is commensurate with the risks posed by the Third-Party.
- **Off-Boarding** – Third-Party relationships may terminate. Following the termination of a relationship, OCC completes any operational tasks necessary to off-board the relationship in compliance with agreement terms.

In addition to the lifecycle management processes set forth above, certain Third-Parties may constitute Service Providers for Core Services and are subject to enhanced lifecycle management by both the MC and the Board. Enhanced lifecycle management includes:

- **On-Boarding:** Prior to entering into an agreement with a Service Provider for Core Services, the MC will evaluate and document the risks related to the agreement, including under changes to circumstances and potential disruptions, and assess whether the risks can be managed in a manner consistent with this Framework (the "Risk Analysis"). Prior to entering agreements establishing a relationship with a Service Provider for Core Services, the MC will submit the agreement, along with the Risk Analysis, to the Board of Directors for review and approval.
- **Ongoing Monitoring:** Service Providers for Core Services are monitored on an ongoing basis. The MC evaluates performance of Service Providers for Core Services and either: (a) remedies significant deterioration in performance of the Service Provider for Core Services, (b) addresses changing risks or material issues with the Service Provider for Core Services identified through such monitoring, or (c) if such risks or material issues cannot be remedied, documents weaknesses or deficiencies with the Service Provider for Core Services. The MC will report to the Board for its evaluation any action taken by the MC to remedy significant deterioration in performance of the Service Provider for Core Services or address changing risks or material issues with the Service Provider for Core Services. If the risks or issues with the Service Provider for Core Services cannot be remedied, the MC will assess and document the weaknesses and deficiencies and submit to the board the documented weaknesses or deficiencies in the relationship with the Service Provider for Core Services.

Third-Parties that have multiple engagements with OCC are subject to the processes described below for each type of engagement. OCC recognizes that multiple engagements with a single entity may result in additional risks (as identified in Section II) and incorporates this into its on-boarding and ongoing



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monitoring through their respective procedures (as identified in each Third-Party type below) and working groups.

As described below, risks identified throughout the relationship lifecycle are reported and escalated through associated working groups. Working groups are cross-departmental and support OCC's business as assigned by the MC. Each working group has a chair and designated MC member who are responsible to determine the matters to be escalated to the MC in accordance with this Framework. The working groups identified in this Framework have defined decision-making authority, functions and responsibilities as specified in the associated working group procedure. The working groups that support the activities described in this Framework are:

- Credit and Liquidity Risk Working Group ("CLRWG")
- Exchange and Vendor Working Group ("EVWG")

IV. THIRD-PARTY RELATIONSHIP MANAGEMENT

A. Clearing Members

OCC's membership standards are designed to be objective and risk-based and are publicly disclosed in OCC's Rules and By-Laws. Annually, Business Operations, Financial Risk Management ("FRM"), Treasury, and Third-Party Risk Management ("TPRM") assess the adequacy of OCC's membership standards to address the management of risks presented by Clearing Members and the processes used to monitor initial and ongoing compliance with those standards, in accordance with the Credit and Liquidity Risk Working Group Procedure. The review may contain recommendations to change the standards or monitoring processes. The results of the annual assessment are summarized for consecutive review and approval by the CLRWG, MC, Risk Committee, and if rule changes are necessary, the Board of Directors.

On-Boarding: Business Operations, FRM, and TPRM complete a risk-based evaluation of Clearing Member applicants by evaluating their financial resources, operational capacity, personnel, and facilities against OCC's membership standards. FRM presents the results of this evaluation to the CLRWG and other key stakeholders as identified within ~~Article V, Section 2 of OCC's By-Laws~~ [OCC Rule 203\(a\)](#) for review and approval.

Ongoing Monitoring: Clearing Members are monitored for ongoing compliance with OCC's membership standards. FRM, with support from Business Operations and TPRM, performs Watch Level reporting and ongoing monitoring of financial and operational risks. In addition to or in support of Watch Level reporting, Business Operations and FRM conduct the following processes to monitor Clearing Members:

- Determining an internal credit rating to identify credit worthiness;
- Performing periodic examinations to evaluate Clearing Member risk management policies, procedures, and practices; and
- Evaluating material risks related to customers of Clearing Members.

FRM provides informational Watch Level reporting at meetings of the CLRWG, MC, and Risk Committee that summarizes the circumstances leading to violations of higher tier Watch Level criteria, additional risks observed, and any corrective measures taken by such Clearing Members.

Should a Clearing Member approach or no longer meet minimum membership standards, protective measures may be imposed to limit or eliminate OCC's counterparty exposure. OCC maintains authorities



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in its Rules (Chapter III, Chapter VI, and Chapter VII) to act to protect OCC, given the facts and circumstances of the exposure presented by a Clearing Member, including but not limited to the imposition of additional monitoring, changes to margin requirements or composition, or suspension of some or all product and account approvals.

Business Operations, FRM, and TPRM provide reporting to the CLRWG, comprised of results from ongoing monitoring and management of Clearing Member financial, operational, legal, and regulatory risks and may raise matters for consideration to the CLRWG. The CLRWG may take action or escalate the matter to the MC, in accordance with the functions and responsibilities assigned to the CLRWG by the MC in the Credit and Liquidity Risk Working Group Procedure.

Off-Boarding: A Clearing Member may voluntarily terminate its membership. Upon request for termination, Business Operations and FRM ensure all financial exposures and operational capabilities are wound down and all obligations to OCC are satisfied before the relationship is terminated. In the event a Clearing Member is suspended by OCC, the suspension will be managed in accordance with the Default Management Policy.

B. Clearing Banks, Custodians, Liquidity Providers, and Investment Counterparties

OCC maintains relationships with Financial Institutions that facilitate clearance and settlement activities, manage collateral, provide liquidity [under OCC's committed facilities](#), and serve as investment counterparties.

On-Boarding: FRM and TPRM, with support as needed from Business Operations and Treasury, complete a risk-based evaluation of each entity by evaluating its financial resources and operational capacity. For custodians, the evaluation considers whether a relationship is structured to allow prompt access to OCC and Clearing Member assets and whether the custodian is a supervised and regulated institution that adheres to generally accepted accounting practices, maintains safekeeping procedures, and has controls that fully protect these assets. The results of the evaluation are presented to the CLRWG for review and recommendation for approval prior to presentation to the Chief Executive Officer or Chief Operating Officer, each of whom has the authority to approve such relationships.

Ongoing Monitoring: Business Operations, FRM, Treasury, and TPRM monitor the financial, operational, legal, and regulatory risks related to Financial Institution relationships. This monitoring includes Watch Level reporting, material agreement reviews, and ongoing monitoring of financial and operational risks. Should Watch Level reporting detect potential issues or trends that might indicate the deterioration of a Financial Institution's ability to perform, protective measures that may be applied include, but are not limited to, modifying the business relationship or termination of the relationship.

Business Operations, FRM, Treasury, and TPRM provide reporting to the CLRWG, comprised of results from ongoing monitoring and management of a Financial Institution's financial, operational, legal, and regulatory risks and may raise matters for consideration to the CLRWG. The CLRWG may take action or escalate the matter to the MC, in accordance with the functions and responsibilities assigned to the CLRWG by the MC in the Credit and Liquidity Risk Working Group Procedure.

Off-Boarding: A Financial Institution relationship may be terminated by the Financial Institution or OCC, pursuant to applicable agreements. The Chief Executive Officer or Chief Operating Officer, each of whom has the authority, must approve the termination of a Financial Institution relationship initiated by OCC. OCC may terminate a relationship if risks rise to an unacceptable level or a relationship is no longer required. Business Operations, FRM, Treasury, and Legal perform activities necessary to off-board the relationship in accordance with the agreement between OCC and the applicable Financial Institution.



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C. Financial Market Utilities

FMUs provide OCC with a range of services, including custody, stock loan processing, cross-margin programs, and securities settlement.

On-Boarding: Business Operations, FRM, Legal, and TPRM consider an FMU's financial condition, operational capabilities, and any legal or regulatory risks associated with the relationship during the onboarding process. The CLRWG reviews this evaluation and recommends approval prior to presentation to the Chief Executive Officer or Chief Operating Officer, each of whom has the authority to approve such relationships. On-boarding of the relationship may be subject to completion of any necessary agreements or regulatory filings.

Ongoing Monitoring: Business Operations, FRM and TPRM monitor the financial, operational, legal, and regulatory risks related to FMU relationships. This monitoring includes Watch Level reporting, material agreement reviews, and ongoing monitoring of financial and operational risks.

Business Operations, FRM, and TPRM provide reporting to the CLRWG, comprised of results from ongoing monitoring and management of an FMU's financial, operational, legal, and regulatory risks and may raise matters for consideration to the CLRWG. The CLRWG may take action or escalate the matter to the MC in accordance with the functions and responsibilities assigned to the CLRWG by the MC in the Credit and Liquidity Risk Working Group Procedure.

Off-Boarding: An FMU relationship may be terminated by the FMU or OCC, pursuant to applicable agreements. The Chief Executive Officer or Chief Operating Officer, each of whom has the authority, must approve the termination of an FMU relationship initiated by OCC. Business Operations, FRM, Legal, and TPRM coordinate the activities necessary to off-board the relationship, including, but not limited to, the wind down of all services with the FMU and, if necessary, revising OCC policies and procedures and filing rule changes with OCC's regulators after receiving the appropriate internal approvals.

D. Exchange Relationships

OCC provides clearing services for Exchange Relationships pursuant to applicable agreements². Under these agreements, OCC clears products including equity and index options, commodity contracts, treasury futures, security futures, and stock loan transactions.

On-Boarding: Participant Services and Solutions, in coordination with stakeholders which may include, but are not limited to, FRM, Business Operations, and TPRM, completes an evaluation of proposed Exchange Relationships, including assessing whether an Exchange Relationship meets OCC's qualification requirements³. The due diligence performed for a proposed Exchange Relationship is presented to the EVWG for review and subsequently to the MC for approval. A summary of due diligence and on-boarding activities are presented to the MC. A summary of legal documents and requirements are presented to the Board of Directors for approval to launch.

Ongoing Monitoring: Business Operations and TPRM monitor the operational and regulatory risks related to Exchange Relationships, and escalate identified legal risks to OCC's Legal Department. Such relationships are monitored for connectivity and trade activity on an ongoing basis. Exchange Relationships monitoring allows for internal escalation to Production Support and the EVWG, and externally to Exchange Relationships.

² Exchange Relationship agreements are filed with OCC's regulators, as required.

³ See OCC By-Laws, Article VIIA – Equity Exchanges and Article VIIB – Non-Equity Exchanges for further detail.



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Business Operations and TPRM conduct reviews to assess an Exchange Relationship's operational performance, overall financial condition, and ability to meet contractual obligations. To assess operational performance, Business Operations executes testing activities throughout the year aimed at mitigating operational risk, including the requirement that all Exchange Relationships must participate in annual disaster recovery tests. In addition, Business Operations supports external testing with all Exchange Relationships upon request or related to OCC system changes and enhancements. TPRM monitors the financial condition of Exchange Relationships and evaluates whether an Exchange Relationship's operations meet its contractual obligations. Business Operations facilitates annual meetings with each Exchange Relationship that include an operational performance review, communication of updates about upcoming OCC system enhancements and changes, and solicitation of feedback.

Business Operations and TPRM provide reporting to the EVWG, comprised of results from ongoing monitoring and management of an Exchange Relationship's financial, operational, legal and regulatory risks and may raise matters for consideration to the EVWG. The EVWG may take action or escalate the matter to the MC, in accordance with the functions and responsibilities assigned to the EVWG by the MC in the Exchange and Vendor Working Group Procedure.

Off-Boarding: An Exchange Relationship may be terminated by the Exchange or OCC, pursuant to the applicable Exchange Relationship agreement. Upon request for termination by the Exchange Relationship, Business Operations notifies the EVWG and the MC to discuss any immediate actions to mitigate exposure to operational, legal, or regulatory risks and to determine a termination date.

Additionally, Business Operations leads the development of a deployment plan to identify the departments and required actions necessary to reduce any interim risk prior to termination, which may include performing clearing system maintenance and limiting or removing connectivity to the Exchange Relationship. Business Operations and other supporting departments coordinate and perform activities necessary to off-board the relationship in accordance with the applicable Exchange Relationship agreements.

E. Vendors

OCC engages and maintains vendor relationships for various purposes, including to accomplish its strategic objectives, outsource operational activities, and assist in compliance with legal and regulatory obligations. All Third-Party relationships that are not Clearing Members, Financial Institutions, FMUs, or Exchange Relationships are treated as vendor relationships. Prior to commencing on-boarding of a new technology Vendor, implementing new capabilities, or services to existing technology, Information Technology reviews the request to identify solutions and analyze requirements to verify that they are in line with enterprise strategic requirements.

On-Boarding: During on-boarding, TPRM works with the business area requesting the vendor to assign a vendor relationship manager ("VRM") who manages the vendor relationship and execute the phases of the vendor relationship lifecycle. TPRM coordinates with the VRM to complete an evaluation of inherent risks posed by the vendor relationship. The evaluation of inherent risk results in a vendor risk tier which is used to inform the level of due diligence and frequency of monitoring for each vendor. Due diligence is based on the inherent risks identified and may include a review of financial health, operational capacity, and other standards based on the relationship.

Any potential risk issues identified are presented to the VRM and OCC's Legal Department for review. Potential risk issues may also be shared with the EVWG. An agreement that addresses control and



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business requirements is then negotiated with the vendor and executed by authorized signatories designated through the process outlined in the Legal Services Policy.

Ongoing Monitoring: VRMs monitor vendors to assess whether they are delivering services as required by applicable agreements. The scope and frequency of monitoring is determined by the vendor risk tier and inherent risks identified during on-boarding. Monitoring may include reviewing a vendor's financial health, operational capacity, and other standards based on the relationship's inherent risks.

TPRM provides reporting to the EVWG, comprised of results from ongoing monitoring and management of a vendor's financial, operational, legal, and regulatory risks and may raise matters for consideration to the EVWG. The EVWG may take action (e.g., additional monitoring, require contingency plans, and additional contractual requirements) or escalate the matter to the MC, in accordance with the functions and responsibilities assigned to the EVWG by the MC in the Exchange and Vendor Working Group Procedure.

Off-Boarding: A vendor relationship may be terminated by the vendor or OCC, pursuant to applicable agreements. OCC mitigates exposure to operational, legal, and regulatory risk and performs activities necessary to off-board the relationship in accordance with the applicable vendor agreement.

V. DEFINITIONS

Capitalized terms used and not defined below have the meaning set forth in OCC's Rules and By-Laws.

Exchange Relationships: Includes options exchanges, futures markets, OTC trade sources, or loan markets.

Service Provider for Core Services: Any person that, through a written services provider agreement for services provided to or on behalf of OCC, on an ongoing basis, directly supports the delivery of clearance or settlement functionality or any other purposes material to the business of OCC.

Third-Party: A Clearing Member, Clearing Bank, custodian, liquidity provider [under OCC's committed facilities](#), investment counterparty, financial market utility, Exchange, or vendor, which also has:

- (i) a relationship with OCC where products and/or services are exchanged; (ii) other ongoing business relationships with OCC; or (iii) responsibility for OCC associated records.

Watch Level: OCC assigns a level of required monitoring and reporting (i.e., a "Watch Level") based on the identification of events or trends that might signal the deterioration of an entity's financial, operational, or risk management ability to timely meet its future obligations to OCC. Watch Level is a tiered structure with financial (e.g., capital and profitability), operational (e.g., operational difficulties and late financial report submissions), and general business (e.g., risk management issues and business restrictions by another SRO) criteria at each tier. Reaching the criteria at higher tier levels signals a more material event or trend has been detected and an entity may require heightened risk management. The CLRWG may recommend changes to Watch Level criteria to the MC, which maintains approval authority for recommended changes. FRM is responsible for implementing all approved Watch Level criteria changes.

Exhibit 5C

This Exhibit contains one electronic file embedded in this cover page for filing efficiency, as identified below. OCC has omitted the embedded file pursuant to 17 CFR 240.24b-2. OCC has separately filed and requested confidential treatment of the cover page containing the embedded file as protected from public disclosure by Exemptions 4 and 8 of the Freedom of Information Act (“FOIA”), 5 U.S.C. 552(b)(4), (b)(8), and 15 U.S.C. 78x(e) because the information it contains concerns (i) OCC’s trade secrets and commercial information not customarily released to the public and is, and always has been, treated as the private information of OCC, the release of which is likely to cause foreseeable harm to OCC’s commercial or financial interests; and (ii) the supervision of OCC, a financial institution regulated by the Commission. OCC believes the Form 19b-4 Information and Exhibit 1A provide a clear and adequate description of the relevant substance of the embedded file to facilitate meaningful public comment.

Embedded File: **[Redacted Pursuant to Rule 24b-2]**

- Exhibit 5C – Confidential DMP [REDACTED]; 8 pages.